



Directorate of
Intelligence

MASTER FILE COPY

~~Secret~~

**DO NOT GIVE OUT
OR MARK ON**

25X1

Near East and South Asia Review

25X1

7 June 1985

~~Secret~~

*NESA NESAR 85-013
7 June 1985*

Copy **415**

Page Denied

Secret

25X1

Near East and South Asia Review

25X1

7 June 1985

Page

Articles

Rajiv's Civil Nuclear Agenda

1

25X1

Prime Minister Rajiv Gandhi is likely to subject India's civil nuclear power program to a searching reexamination, taking into account the program's failure to provide cheap, reliable electricity as well as its massive cost overruns, safety hazards, and technical shortcomings.

25X1

25X1

25X1

Pakistan: The Opposition Since the Election

11

25X1

President Zia's domestic political opposition is fragmented and lacking direction in the aftermath of February's legislative elections. But, even though the opposition does not pose a serious near-term threat, its influence could grow if Zia delays ending martial law.

25X1

25X1

Pakistan: Rural Transformations and Politics

15

25X1

Profound social and economic changes in Pakistan are transforming the political dynamics in the country's rural areas, but President Zia has avoided serious unrest through the coincidence of a bullish international labor market and the byproducts of traditional military recruitment patterns.

25X1

25X1

Bangladesh: Ershad and the Army

19

25X1

The Bangladesh military will continue to support President Ershad in the near term, but, if it decides to oust him for failing to maintain law and order or giving in to the leftist opposition, his most likely successor would be another general who would continue Ershad's pro-Western course.

25X1

25X1

Secret

25X1

**Tunisia on the Eve of President Bourguiba's
Visit to Washington**

23

25X1

25X1

Bourguiba's visit to Washington comes at a time of unprecedented challenges to his rule, and Tunisia's future is likely to be increasingly turbulent, given Bourguiba's inflexibility, the subservience of his officials, and the decline of the country's social and political institutions.

25X1

**The Record of Libyan-Sponsored
Assassination Attempts, 1980-85**

29

25X1

25X1

Since 1980, the Libyan Government has engaged directly in more than 30 assassination attempts outside its borders. But for continuing Libyan ineptitude and efficient foreign security measures, the list would be much longer.

25X1

25X6

25X6

Secret

Secret

25X1

25X1

**Saudi Arabia-Oman-The Yemens:
Pressing for Border Settlements**

41

25X1

Riyadh's efforts to press its southern neighbors to settle outstanding border disputes are damaging the kingdom's leadership role in the Gulf Cooperation Council, setting back regional cooperation, and creating the potential for serious domestic political problems in these states.

25X1

The Dubai-Iran Connection: Lucrative and Risky

49

25X1

25X1

25X1

The emirate of Dubai conducts a thriving trade with Iran despite the fact that it is part of the United Arab Emirates, which has supported Iraq, and in return Iran spares the UAE from the criticism it heaps on Iraq's Arab friends; but frictions between the parties persist, and Dubai is concerned that Iran covets the emirate's offshore oil.

25X1

25X1

Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views. Comments may be directed to the authors,

Secret

Secret

25X1

Articles

Rajiv's Civil Nuclear Agenda

25X1

We believe that Prime Minister Rajiv Gandhi will subject India's civil nuclear power program to a searching reexamination. We expect that Rajiv's business-minded advisers will note the program's failure to provide cheap, reliable electricity—its prime mission—as well as the numerous reports in the Indian press of massive cost overruns, safety hazards, and technical shortcomings.

25X1

remains dependent on foreign suppliers for key items such as alloy steels, precision valves, and some reactor control equipment.

25X1

25X1

Problems With Indigenization

According to press reports,

25X1

Indian power reactors have failed to supply cheap, reliable electricity on a timely basis:

25X1

25X1

- In early 1985 nearly all of India's power reactors suffered from serious technical problems ranging from the chronic loss of scarce, expensive heavy water coolant to extensive radioactive contamination of reactor vessels and buildings.

25X1

- nuclear energy supplies only about 2 percent of Indian electric power generation.

25X1

Nuclear Self-Reliance

According to spokesmen for the Department of Atomic Energy (DAE), self-reliance, or indigenization, is defined as the effort to achieve a full nuclear fuel cycle based on maximum national self-sufficiency in materials, fuel, equipment, manufacturing, technology, and advanced research. On the civil side, the cornerstone of the program is the decision made in the early 1960s to build Canadian-type natural uranium-fueled, heavy-water-moderated power reactors and all of the support facilities they require. Indigenization also means, according to the program's founder, Homi Bhaba, maintenance of a capability to build nuclear weapons if required by Indian security needs.

25X1

- Indian documents supplied to the United States under a bilateral safety cooperation agreement report numerous safety hazards, including radioactive contamination of the cooling systems of the Tarapur reactors and blockage of the cooling water intakes at the Madras Station by jellyfish.

- Unit One of the Rajasthan Station returned to partial service in January 1985 after a three-year outage after a large crack in a major reactor component was repaired, according to press reports.

- The average period between groundbreaking and commissioning for India's existing power reactors is 14 years.

25X1

Our Embassy and the Indian press reported in mid-1983 that DAE officials claimed Unit One of the Madras Station was the country's first wholly indigenous power reactor. We believe that India

Nuclear officials, however, continue to claim great successes for the power program.

25X1

DAE Chief Raja Ramanna has declared that India will install 10,000 megawatts of

Secret

NESA NESAR 85-013
7 June 1985

25X1

Page Denied

Secret

25X1

25X1

nuclear generating capacity by the end of the century. He has told US Embassy officials that problems in the power program are exaggerated and that the plants are operating at 80-percent capacity, a very acceptable figure by international standards. We believe that Ramanna's claims and predictions are overblown. []

US-built Tarapur reactors. []

Outlook

We believe that Rajiv Gandhi will seek more foreign nuclear technology and direct technical assistance if it can be obtained without placing all nuclear facilities under international safeguards. In practice, this will rule out new cooperation with the United States as long as Washington continues to demand stringent safeguards. []

25X1

25X1

Reports from our Embassy, the Indian press, [] indicate that the indigenization policy has failed most spectacularly in the production of heavy water, which all of India's power reactors, except the US-built Tarapur Station, need to operate. India still depends on imports from the Soviet Union for most of its heavy water:

- [] the heavy water plants have consistently produced well below rated capacity when they run at all. Our Embassy reported in mid-1984 that Indian heavy water plants had a nominal production capacity of 314 tons per year, while demand was 426 tons per year, []

[] We do not believe there has been appreciable improvement since then.

- A series of articles appearing in the Indian press a year ago said that the Talcher and Kota plants were inoperable. The articles also said the DAE was heavily dependent on foreign suppliers and consultants to maintain even the current low level of heavy water output and to build new plants. []

In our view, India needs substantially more foreign nuclear technology and equipment to overcome the problems plaguing the civil nuclear power program. We do not expect Rajiv to make far-reaching changes in India's policy toward international safeguards as long as he continues, as indicated by recent public statements, to regard the Pakistani nuclear program as a prime security threat. He will give first priority to retaining India's freedom to develop nuclear weapons. []

25X1

25X1

25X1

25X1

Foreign Help

India has had limited success in securing foreign nuclear technology without accepting additional safeguards. In April, DAE Chief Ramanna announced that France and India had agreed to unspecified joint nuclear projects. We believe that the French are unlikely to do more than help India commission its fast breeder test reactor later this year.

Rajiv and his advisers are more likely to shake up the nuclear program's management, probably after DAE Chief Raja Ramanna's term expires in 1987, perhaps by bringing outsiders from other Indian scientific agencies, than to change its basic technical direction.

The West German Ambassador in New Delhi told our Embassy in March 1984 that German companies were providing spare parts and service for the

Secret

25X1

Page Denied

Next 4 Page(s) In Document Denied

Secret

Pakistan: The Opposition Since the Election []

25X1

President Zia's domestic political opposition is fragmented and lacking direction in the aftermath of February's legislative elections. For the time being, the opposition coalition Movement for Restoration of Democracy (MRD) appears to have decided not to confront the government of Prime Minister Junejo but to wait to see how much autonomy the new assemblies will have. The opposition's lack of a clear-cut strategy makes it highly unlikely that it will pose a serious threat to Zia in the near future. Opposition influence could grow, however, if Zia delays ending martial law. []

25X1

Disunity in the Ranks

The MRD is a loose alliance of 11 parties, each with its own platform and leadership. We judge that the failure of the opposition's election boycott probably has increased divisions within the MRD between moderates and leftists and also between senior MRD leaders and followers. These divisions in turn are hampering opposition efforts to reorganize. []

25X1

Many MRD moderates now question the wisdom of the boycott. [] many middle-level members of the MRD—including its dominant component, the Pakistan People's Party (PPP)—blame senior MRD leaders for sacrificing their political futures by boycotting. []

25X1

Of the MRD's component parties, only the PPP has a popular base. Most PPP leaders, however, including acting chairman Benazir Bhutto, are in exile and are being criticized by party members for being out of touch with the situation in Pakistan. []

25X1

The PPP met for three days in Lahore in late April to resolve differences between the leadership and rank and file. In an apparent response to critics of party appointments, Bhutto instructed the party to hold elections for party offices "as soon as possible" but with no date specified. []

25X1

The opposition's efforts at unity suffered another setback recently when some exiled leaders formed the "Baluch-Sind-Pushtu Front" calling for the creation

of a confederation that would give most powers to the provinces and leave only limited functions to Islamabad. Among those opposition politicians in Pakistan supporting the confederation demand are Abdul Wali Khan, leader of the National Democratic Party (NDP), which is predominant in the North-West Frontier Province, and Mir Ghaus Bux Bizenjo, who heads the Pakistan National Party, an offshoot of the NDP and the dominant party in Baluchistan. []

25X1

Most MRD politicians—even the supporters of greater provincial autonomy—oppose the demand for confederation, particularly the old-line Punjabi politicians against whose influence the proposal is clearly aimed. According to the US Embassy in Islamabad, these politicians fear confederation will inevitably lead to Pakistan's dismemberment. Nonetheless, the MRD proposed in late May a plan to reduce central government responsibilities that follows the spirit if not the letter of the confederation scheme. The plan calls for the central government to retain control of defense, foreign affairs, currency, and communications, while all other powers would be delegated to the provinces. []

25X1

The Search for a Strategy

Since the elections, MRD leaders have crisscrossed the country holding political meetings to rally public support. Because of the relaxation of censorship, the opposition's pronouncements have received substantial coverage in the media. At most of these meetings, MRD leaders have emphasized the following points:

- There can be no compromise with Zia or the military.
- The elected politicians will eventually fail in their efforts to work with the government to get martial law lifted as soon as possible and fully restore democracy.
- The Constitution of 1973 must be restored completely as a precondition to reviving democracy. []

25X1

Secret

NESA NESAR 85-013
7 June 1985

Secret

The MRD's Political and Economic Program

The MRD's Program Committee unanimously adopted in May the following principles to guide a future MRD-led government:

Foreign Policy

- *A neutral, nonaligned foreign policy devoted exclusively to Pakistan's national interests.*
- *Create the circumstances to facilitate the return of Afghan refugees to Afghanistan.*

Social Policy

- *Remove all censorship restrictions on the media.*
- *End all discriminatory laws against women and grant them all rights according to the UN Human Rights Charter.*
- *Introduce public health and social programs for youth.*
- *Maintain Islamization program.*

Economic Policy

- *Continue current industrial policies with no further nationalization.*
- *Review foreign debt and repayment schemes and the activities of multinational corporations and banks.*
- *Repossess large tracts of land for redistribution.*

MRD leaders, however, have been unable to reach a consensus on how to deal with the National Assembly and the Junejo government. At its strategy session in Karachi in April, the only specific positions adopted by the MRD were in the form of resolutions endorsing increased autonomy for the provinces and a declaration rejecting Zia's amendments to the Constitution. In May, the MRD announced a concrete economic and political program—its first ever—which presumably would serve as policy guidelines for an MRD-led government. []

The MRD has not condemned the elected Assembly. It seems content to wait to see if the Assembly can establish its credentials as an independent and effective legislature and arrange for the lifting of

martial law. MRD leaders have publicly said they will give the Assembly until 14 August—Pakistan's independence day—to achieve that goal. []

The MRD probably reasons that the only way in which the members of the Assembly can prove they are not controlled by Zia is by confronting him over martial law and other issues. If they succeed, the MRD believes it will benefit from the resultant weakening of Zia's hold on the government and the creation of conditions that will allow the resumption of partisan political activity. []

The MRD believes it will also benefit if the Assembly fails to get martial law ended quickly. It probably reasons that if Zia permits the Assembly to play only a limited role or dissolves parliament altogether, the newly elected politicians will be discredited, creating public discontent that the MRD can exploit. []

[] The willingness of Assembly members to cooperate with the MRD, however, probably will be balanced by a greater desire to benefit from the rewards of office. Moreover, we believe Zia will use his powers of patronage to undercut MRD attempts to forge links with sympathetic Assembly members. At the same time, we believe MRD leaders will temper their efforts because of concern they will lose leadership of the opposition to new, younger politicians inside the elected Assembly, many of whom have genuine local appeal. []

Lacking a clear-cut strategy for unseating Zia, opposition tactics so far have focused on attacking the government because of its ties to the United States, whose support of Israel is unpopular in Pakistan. MRD leaders also have sought to play on apprehensions that Zia's policy toward Afghanistan risks a direct confrontation with the USSR and endangers Pakistan's security for the benefit of US—not Pakistani—interests. They have called on Zia to initiate direct talks with the Karmal regime in Kabul to achieve a negotiated settlement in Afghanistan and to pursue better relations with the USSR. []

Secret

Secret

Outlook

The MRD's recommendations for provincial autonomy and its economic and political program mark the first time the opposition under Zia has developed any kind of concrete program. Nonetheless, we judge that the MRD's fragmentation and lack of political strategy will most likely continue to hamper efforts to rehabilitate itself and become a viable alternative to the Junejo government. [REDACTED]

A major test for the MRD will come later this summer when the Assembly and Junejo are expected to recommend to President Zia that martial law be ended. If Zia goes along, Junejo and the elected politicians will be able to argue that their strategy of cooperating with Zia was justified. The MRD, on the other hand, will most likely suffer a significant—perhaps fatal—setback to its hopes of assuming power and probably will suffer serious defections. [REDACTED]

If Zia's promise of an eventual return to democracy fizzles, we believe the appeal of the MRD will grow. The MRD should find it easier than in the past to mobilize support if the expectations of the masses are unfulfilled. [REDACTED]

25X1

25X1

25X1

25X1

Secret

Pakistan: Rural Transformations and Politics

25X1

Profound social and economic changes in Pakistan are transforming the political dynamics in the country's rural areas. President Zia has avoided serious unrest in the villages through the coincidence of a bullish international labor market and the byproducts of traditional military recruitment patterns.

Rural Pressures

Although Pakistan is undergoing rapid urbanization, over 71 percent of the people still live in towns or villages with less than 5,000 inhabitants, according to the 1981 census. Rural population is burgeoning—over 23 percent during 1972-81—but farm and cultivated area registered a net decline during the same decade. Overcultivation and salinization have exhausted much land, while some of the richest areas have been lost to urban encroachments.

Rural problems are likely to become more severe during the rest of the century. A conservative extrapolation of present trends shows that the rural population will nearly double, the mean farm area will be nearly halved, and the number of landless unskilled workers will rise to approximately one-third of the rural labor force by the year 2000.

The Traditional Structure

Large landlords—zamindars—traditionally have controlled the economic, political, and social life of rural communities. Their power is reinforced by a system of informal ties with external political and administrative elites and by kinship ties to other landlords in neighboring villages. The landlords resort to coercive mechanisms ranging from sympathetic tax collectors to hired thugs.

Rural local government organization has been congenial to this style of power distribution. Local institutions have been granted only limited authority; they have been dominated, whether formally or informally, by nonelected bureaucrats; and—given the realities of the rural power structure—their elected members have been drawn predominantly from the landholding class.

Rural Power Transformation

Pakistan's rural structure is undergoing rapid change in the direction of smaller, more efficient farms because of rapid population growth and because of the "green revolution" and land reforms. The "green revolution," a strategy of introducing high-yield hybrid seeds, insecticides, fertilizers, and other modern agricultural methods, places great reliance on the conversion of small and medium farmers into rural entrepreneurs. The farmer adopts modern agricultural techniques to maximize output per hectare on relatively small plots of land. Land reforms in Pakistan were designed to direct the traditional inefficient utilization of land into more productive channels.

Pakistan's rural structure has been transformed in the general direction foreseen by the framers of Bhutto's land reforms. The mean size of farms has declined by 10 percent and the mean cultivated holding by 12 percent over the course of the 1970s. This transformation was only partly at the expense of the "very large" landholders (those holding more than 65 hectares), the ostensible target of Bhutto's policies. The most significant transfer of land came from the "large" and "medium" farmers (those holding 3 to 65 hectares) to the "small" and "tiny" landholders (those with less than 3 hectares).

Regardless of cause, the transformation of Pakistan's rural structure has engendered profound social and political change. The number of landless underemployed has increased as the combined effect of reduced landholdings and mechanization of agriculture has increasingly forced sharecroppers and some tenants off the land. The dispossessed swelled the ranks of the urban underemployed and have filled unskilled positions in the international labor market.

The transformation of Pakistan's rural structure has the potential for altering significantly the bases of local power. As the number of small and medium

A Typology of Rural Districts in Pakistan

Mechanization and farm size are critical determinants of the structure of rural districts in Pakistan. Mechanization is an indirect measure of wealth and is associated with creating a landless class of dispossessed sharecroppers and increasing the adoption of "green revolution" techniques. Farm size influences social and political patterns associated with zamindar-controlled vs. small landholder-controlled farms and is an indicator of the relative population pressure on the land.

Pakistani agricultural districts fall into four broad categories:

- *Traditional zamindar districts typified by relatively large holdings and low mechanization.*
- *Zamindar capitalist districts with large holdings and high levels of mechanization.*
- *Traditional peasant districts of small holdings and low mechanization.*
- *Middle peasant districts characterized by small holdings and high levels of mechanization.*

Political mobilization and potential rural unrest should be greatest in middle peasant districts:

- *Such districts have a relatively large number of landless former sharecroppers and evicted tenants.*

- *The traditional faction leaders (landlords) are greatly outnumbered by middle peasants. Since landholdings are relatively small in middle peasant districts, farmers have comparatively greater ties to urban sectors. Second or third sons of small and medium farmers may seek careers in the military or civilian bureaucracy because of the prospect of an inadequate agricultural inheritance.*
- *The emphasis on education, largely due to the foregoing, is likely to be greater in middle peasant districts.*

Traditional zamindar and zamindar capitalist districts are quiescent by comparison. Personalized local government and co-optation by federal administrators dovetail neatly with zamindar-dominated systems. Further, the effects of Pakistan's rural transformation are muted. Traditional peasant districts fall somewhere in between. The potential for rural unrest associated with landlessness is present in such districts, but organizational costs severely impede political action, and such districts are more dominated by landed nobles than the middle peasant districts.

25X1

farmers increases, there is growing incentive for organization along class or ideological lines. This could spur the development of political parties, particularly parties with a populist program. A rural mainstay of Bhutto's Pakistan People's Party (PPP) was the small and medium landholders in Punjab and Sind.

Zia's Rural Policies

Zia's regime has not adopted a consciously defined set of rural policies. Rather, the outlines of such a policy have been established largely by default through the adoption of related policies.

Agricultural Policy. Zia's agricultural policy, like Ayub's and Bhutto's, assumed agricultural development will result from a general reliance on the techniques and outcomes of the "green revolution." Consequently, the Sixth Five-Year Plan stresses the importance of "modern inputs" (chemical fertilizers, pesticides, improved seeds) along with the availability of adequate agricultural credit as the keys to growth of the agricultural sector.

Zia's reliance on the goals of the "green revolution" has accelerated the process of rural transformation

Secret

and sown the seeds for the further politization of Pakistan's rural areas. Save for the disastrous harvest of 1983-84, when agricultural production registered a net decline, the performance of the agricultural sector, and by implication Zia's agricultural policies, has been very impressive. Along with the potentially destabilizing process of social transformation of the rural areas has come the countervailing trend of increased rural prosperity.

Islamization Policy. Much more widely publicized than Zia's agricultural policy have been his government's attempts to enhance the importance of Islam in the state. Potentially of most significance to rural groups is the "preemption" legislation currently before the Federal Cabinet for approval. This legislation calls into question the validity of government action that restricts the right of property. According to one view, Islam does not sanction any state-imposed restriction on landownership, sale of land, or coercive policies that force the sale or surrender of land by rightful owners. Any such law, including both Bhutto's and Ayub's land reforms, are, therefore, repugnant to Islam and must be declared null and void. Zia's government has moved very cautiously on the issue of preemption. The stakes on the outcome of such legislation are enormous—over 10,000 cases challenging one or more laws on Islamic grounds have been registered in the Lahore High Court alone in the past five years.

Controlled Politics. Zia assumed power in 1977. His government has consistently restricted partisan political activity. As early as 1979, Zia's regime established a system of local government with the promulgation of the Local Bodies Ordinances.

Sindhi Grievances/Punjabi-Pathan Safety Valves

Zia so far has avoided the negative effects of rural social transformation. Most antigovernment rural political demonstrations since 1977 have occurred in rural Sind, particularly in districts associated with Bhutto and the PPP where Zia is viewed at best as a usurper of power, at worst as Bhutto's murderer. There is little chance that such perceptions will change as long as Zia remains in power. When such perceptions are coupled with the political pressures generated by rapid social transformation, it becomes almost certain that such districts will be prone to political violence.

There have been very few examples of rural political unrest in Punjab and the North-West Frontier Province despite rapid social transformation of many districts. Several factors explain this quiescence:

- *The Punjabi/military factor.* General Zia is a Punjabi military officer. The belief is widely held, both within and outside Punjab, that Zia's policies have favored the Punjab and/or represent Punjabi thinking.
- The Middle Eastern labor market has soaked up landless Punjabis and Pathans.
- Remittances to Pakistan, primarily to family members in villages, at \$2.85 billion in 1984, have been channeled into the rural areas of Punjab and the North-West Frontier Province, particularly to districts with surplus labor (that is, the middle peasant districts).
- *Military benefits.* Recruits to Pakistan's military have traditionally been drawn from the middle peasant districts. The net impact of military benefits increases the relative prosperity of those districts with the greatest potential for unrest.

The Future Stability of Rural Groups in Pakistan

Zia has avoided serious unrest in the countryside through the fortunate coincidence of a bullish international labor market and the byproducts of a century-old military recruitment pattern. The prospects for Zia's continued success depend on a steady labor market. Any major decline in foreign demand for Pakistani workers would cause rural income to fall and unemployment to rise, and introduce into the rural environment a new class of potentially very disaffected individuals, the former overseas workers forced to return to their villages.

Zia's current mix of rural policies will not be adequate to meet demands of the middle peasant districts, if and when they are promulgated. Zia has pursued policies that have served to maintain the status quo, perhaps a sound strategy in times of low social unrest, but doubtful once demands become insistent. Further, as long as Zia remains in power, rural Sindhis will almost certainly remain disaffected, though not strong

Secret

Secret

enough nor sufficiently united to force him from power without considerable disaffection from Punjabi and Pathan rural areas.

Zia probably will attempt to mute rural demands by restricting political activity and employing a big stick. If rural conditions worsen, particularly in the middle peasant districts, repression will increase. Whether such a process will result in Zia's fall most probably will hinge upon conditions in the middle peasant districts and the level of organization of opposition groups.

25X1

Secret

Bangladesh: Ershad and the Army

25X1

25X1

We believe the Bangladesh military will continue to support President Ershad in the near term. The military probably would remove Ershad only if he could no longer maintain law and order or if he were perceived as giving in to the leftist opposition. If the military decided to oust Ershad, his most likely successors would be one of two generals from rival wings of the military, Maj. Gen. Mohammad Nooruddin Khan or Maj. Gen. Abdul Mannaf. We believe either one—or a compromise candidate from among the other generals—would continue Ershad's pro-Western course.

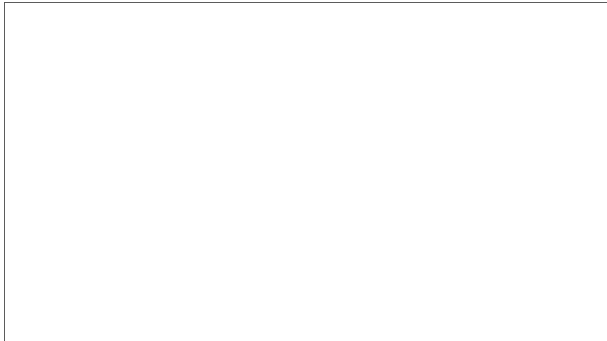
25X1

A Crucial But Unstable Institution

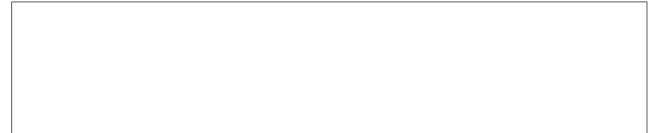
The Army is the most important political institution in Bangladesh, and its support is essential to the stability of any government. Except for six months of civilian rule in 1981-82, active or retired Army officers have ruled Bangladesh since 1975, and officers hold many of the most important Cabinet posts. Army generals led by then Army Chief of Staff Ershad deposed the civilian President in March 1982 because they believed widespread political demonstrations threatened the country's stability.

The Army has suffered from violent infighting. Pro-Indian officers assassinated the country's first military ruler in 1975; pro-Western officers overthrew these officers later in the year. The country's second military ruler, Zia Rahman, was assassinated by an Army clique led by the division commander of the Chittagong area, the Army's largest division.

Ershad's Shaky Position



25X1



there are circumstances under which the Army might move against Ershad. A dramatic deterioration in public security or a sudden decision by Ershad to accommodate the leftist coalition led by the Awami League in its demands for an end to martial law, release of political prisoners, and free elections might spark Army intervention against him. The Army, in our view, would vigorously oppose free elections because it believes that the leftist Awami coalition would win.

25X1

25X1

25X1

25X1

25X1

Leading Successors to Ershad

Should the Army oust Ershad, his successor would most likely be drawn from among the top generals of the Army. We believe the Army high command would probably choose either Maj. Gen. Mohammad Nooruddin Khan, the commander of the Chittagong division, or Maj. Gen. Abdul Mannaf, the commandant of the Defense Services Command and Staff College.

25X1



Noncombat branch officers dominate the Army's high command and

25X1

25X1

Page Denied

head three of the Army's five divisions. [redacted]

25X1

[redacted] Combat branch officers dominate the Army outside of the Army high command. [redacted]

25X1

We believe the Army's current high command would probably prefer Nooruddin, but if Ershad is removed following an extended crisis, pressure from combat branch officers in favor of Mannaf might turn the tide in the latter's favor. Regardless of who succeeds Ershad, the Army's traditional infighting is likely to continue, and rivalries among various groups may threaten whichever general succeeds to power. [redacted]

25X1

Alternative Scenarios

Gen. Atiqur Rahman, principal staff officer to Ershad; Gen. Abdus Samad, the chief of General Staff; and General Wahed, the commander of the Army's 9th Division in Dhaka, could be compromise choices. Rahman is the Army's senior officer and Samad is the Army's senior infantry officer. [redacted]

[redacted] Wahed controls the key Dhaka division but is the most junior of the Army's major generals. [redacted]

We doubt that junior officers would mount a coup against Ershad or the Army's senior generals. [redacted]

[redacted] Most junior officers, in our view, are still influenced by the failure of the Chittagong division commander to rally junior officers against the high command in the abortive coup attempt against Gen. Zia Rahman in 1981. [redacted]

Libya has been unsuccessful in its attempts to establish a radical Islamic regime in Bangladesh through the use of several exiled junior officers over the last decade. We also believe that Libyan-inspired subversion will remain unsuccessful because of Bangladesh's strong secular traditions. [redacted]

25X1

25X1

25X1

Implications

We believe that all of Ershad's likely successors would continue his essentially pro-Western policies. Bangladeshi military officers, including Nooruddin Khan, Mannaf, Rahman, Samad, and Wahed, are suspicious of India's regional ambitions and consider the United States to be a counterweight to Indian pressure. [redacted]

25X1

25X1

25X1

We believe the military would wield major influence in internal and foreign policy even after a transition to civilian rule. Nearly all Bangladeshi officers believe that the military should have a role in governing the country regardless of whether it holds formal power, [redacted]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Tunisia on the Eve of President Bourguiba's Visit to Washington

25X1

Tunisian President Bourguiba will be making his third official visit to the United States when he comes to Washington in June. Bourguiba sees his visit as highlighting the close ties Tunisia has had with the United States for almost 30 years. Bourguiba is aware of US concern for his ailing health and almost certainly will take this opportunity to secure Washington's reassurances to protect Tunisia from domestic turmoil and external aggression once he passes from the scene. He also will be looking for additional military and economic assistance to help ease mounting economic and security pressures and as a measure of Washington's appreciation for Tunisia's consistent support for US policies.

Bourguiba will leave to the Tunisian officials who accompany him the substantive discussions on bilateral issues. He will prefer to express his personal views on broader issues, which can differ considerably from the views of senior Tunisian officials. For example, on the prospect for Middle East peace negotiations, he may recall his efforts in the early 1960s to introduce a peace plan that included recognition of the state of Israel, but which was met with considerable derision throughout the Arab world. On North African politics, many Tunisians believe his personal admiration for Algerian President Bendjedid has led him to underestimate Algeria's pretensions to regional leadership.

Importance to the United States

Tunisia has a strategic and political importance disproportionate to its size, population, and resources. Tunisia flanks the 150-kilometer-wide Strait of Sicily—a potential choke point for sea lanes in the central Mediterranean. Tunisia's ports, airfields, and other facilities could be useful in support of US and NATO military operations. The Bourguiba government has been a spokesman for moderation and dialogue in international forums, seeking cooperative relationships between the Third World and the West.

For the past several years, however, Tunisia has sought to reduce its public identification with the United States:

- Tunis has criticized US policy in the Middle East since the Israeli invasion of Lebanon.
- Tunis also believes that close ties with Washington have provoked aggressive Libyan intentions toward Tunisia.
- Bourguiba's secular, pro-Western policies have faced increasing opposition as Islamic fundamentalism has gained appeal among the disadvantaged and students.

25X1

Nevertheless, Bourguiba and other Tunisian officials will emphasize their view of Washington as a protector against external aggression. Bourguiba almost certainly will convey his appreciation for Washington's response to the Libyan-backed raid on Qafsa in 1980 and the subsequent security assistance program. At the same time, US officials probably will hear complaints from their Tunisian counterparts that Washington's assistance is not as comprehensive as Tunis would like. Tunisian officials accompanying Bourguiba are likely to point out that additional assistance is needed to build a security force that can cope with widespread internal Libyan-supported destabilization.

25X1

25X1

Social and Political Malaise

25X1

Bourguiba's visit to Washington comes at a time of unprecedented challenges to his rule. Riots in January 1984 and a rash of low-level strike activity earlier this year underscore the serious strains in Tunisian society caused by declining living standards, the widening gap in income distribution, and rising corruption. About one-third of the population is unemployed. The succession issue, worsened by fluctuations in Bourguiba's health and his refusal to relinquish power, preclude systematic government reforms that could alleviate these pressures.

25X1

25X1

Secret

NESA NESAR 85-013
7 June 1985

Secret

Bourguiba's leadership style rules out significant changes in Tunisia's declining institutions. He maintains his hold on power, [REDACTED]

[REDACTED] Bourguiba sets general policy direction and makes all major decisions. Bourguiba's style is paternalistic, highly personal, and autocratic. His swift and effective retaliation when anyone has attempted independent action has dampened initiative and cowed his subordinates. Even Prime Minister Mzali, who runs the government's daily affairs, holds power at Bourguiba's sufferance. [REDACTED]

Tunisia's problems go deeper than merely an aging President:

- The ruling Destourian Socialist Party (PSD)—founded by Bourguiba almost 50 years ago—has evolved from a genuine mass movement to an arm of the regime serving the interests of the elite and has lost credibility with the majority of the populace.
- The ruling elite has been distracted by power struggles as they jockey for position in the post-Bourguiba era, impeding their ability to implement reforms.
- Ostentatious displays of wealth as a status symbol contribute to popular perceptions of rampant corruption.
- Bourguiba, often viewed as the symbol of Tunisian nationalism and the struggle for independence, is becoming increasingly irrelevant to the young, restive population, and his presence is probably no longer sufficient to calm a crowd. [REDACTED]

Tunisia also suffers from a growing economic disparity between the prosperous coastal cities and the impoverished interior. Coastal areas have benefited from the development of tourism, commerce, and the oil industry, while the south and the west have suffered from the government's neglect of agriculture. Average income in the south is as much as 40 percent below that of the coastal cities. [REDACTED]

This economic imbalance has prompted a growing migration to urban areas. Over half the population now lives in urban centers compared to 36 percent in

1960. Being unskilled, rural migrants often remain unemployed or restricted to menial labor. Migrants were among the rioters in Tunis in January 1984, and they remain a pool of idle, disillusioned poor who could again vent their frustration through violence. [REDACTED]

Political and generational differences sharpen regional economic disparities. Bourguiba's secular, pro-Western government is dominated by individuals from the cosmopolitan coastal cities and has little popularity in the south, where Western influence is weaker. Tunisian leaders have traditionally drawn their trusted advisers from their birth places, clans, and regions, which solidifies regional differences, eroding the national identity and misallocating development resources. About 70 percent of the population is under 26, and this group is hardest hit by unemployment. Even college graduates often cannot find employment commensurate with their education, breeding further frustration and cynicism. [REDACTED]

The Economic Crunch

The economy began to sour in the late 1970s when Tunisia's main sources of foreign exchange—petroleum, tourism, phosphates, and worker remittances—languished as a result of the international recession. Real GDP growth has averaged 4 percent since 1979—two-thirds of the level of the previous four years—and has been insufficient to absorb the 3.8-percent annual increase in the nation's labor force. Reduced demand for Tunisian labor in Europe and wealthy Arab states has helped push unemployment and underemployment to 20 percent in urban areas, according to official Tunisian estimates. We believe that the actual level of unemployment is closer to 30 percent. [REDACTED]

Stagnating foreign exchange earnings have seriously weakened Tunisia's international payments position. The current account deficit last year of \$1 billion was up 65 percent over the 1983 level because of the soft oil market, a poor harvest, and a sharp rise in domestic consumption. Tunis has reacted to steadily rising deficits by taking overseas loans and now has an external debt of about \$4.6 billion—55 percent of

25X6

25X6

25X1

25X1

25X1

25X1

25X1

25X1

Secret

GDP. Service payments consume about one-fourth of export receipts. Foreign exchange reserves of \$225 million cover one month of imports. [redacted]

Tunisians, however, regard the legal opposition parties as only another face of the middle and upper classes. [redacted]

25X1

Prime Minister Mzali pushed through a barebones budget this year to brake the steadily rising government deficit and stem foreign borrowing needs. He has publicized intentions to tighten the collection of taxes and tariffs and reduce government food subsidies—reduced subsidies triggered the national riots in January 1984. Implementation of these measures, however, will greatly complicate government efforts to keep peace with organized labor. Labor agitation this spring has been subdued because of wage negotiations with the government. Union leadership may not be able to maintain calm, however, if Tunis holds the line on wages and allows food prices to increase. [redacted]

More worrisome for the Bourguiba government are Tunisia's Islamic fundamentalists, which have been gaining in both popularity and antigovernment activity since 1979. The leadership of the principal Islamic opposition, the Islamic Tendency Movement (MTI), generally is reform minded, cautious, and nonviolent and seeks to satisfy a broad spectrum of Islamic philosophies. The MTI remains a small, essentially underground organization whose strongest appeal has been among students at the University of Tunis. The MTI's activities in the January 1984 bread riots demonstrated, however, that a militant faction exists and is well placed to exploit discontent, despite efforts by the Tunisian security forces to check fundamentalist activity or the MTI leadership's preference for nonviolent reform. [redacted]

25X1

25X1

We believe that Tunisia's financial position will remain weak for the rest of the decade. Oil production will decline as a result of declining reservoir pressures and problems with secondary recovery technology in the El Burmah and Ashtart oilfields. Exports will fall even more sharply because of projected increases in domestic consumption. Government efforts to boost exports of Tunisian textiles and agricultural products will encounter problems with quotas in Western Europe. With aid prospects limited, additional international borrowing will be necessary to meet the expectations of the burgeoning population and to finance military modernization and economic development goals. Of particular importance will be efforts to boost local food production without tampering with politically sensitive food subsidies and price controls [redacted]

Other opponents of the regime, such as another faction of the MPU, Ba'thists, Nasirists, and several extreme leftist groups, which operate either clandestinely at home or abroad among Tunisian workers especially in Western Europe, have little following in Tunisia. The only clandestine group with important external backing is the Libyan-sponsored Revolutionary Movement for the Liberation of Tunisia. Its relations with Libya have fluctuated inversely to the state of Libyan-Tunisian relations. Libya also supports the overt but illegal Arab National Rally, which likewise has few adherents. [redacted]

25X1

Growing Concern for External Threats

25X1

Tunisia's principal foreign policy concern is to protect itself from Libyan intervention in an unstable post-Bourguiba period. Tunisia is one of Qadhafi's prime targets, [redacted]

25X1

The Opposition

The legal opposition parties—the Socialist Democratic Movement (MDS) and one faction of the Movement of Popular Unity (MPU)—are primarily interested in broadening the political process and obtaining a role in decisionmaking. Bourguiba, however, has not offered the MDS—the more important of the legal opposition parties—any significant participation in the government. The MDS could serve in a post-Bourguiba period as the focus of a moderate, leftist-labor coalition to challenge the ruling PSD. Poor



25X1

Secret

[REDACTED]

At this juncture, the Libyans are not well regarded in Tunisia except in the south—an area long neglected by Tunis. They also lack the services of a prominent Tunisian who could serve as a rallying point for a Libyan-influenced post-Bourguiba regime. Nevertheless, we cannot rule out the possibility of a rogue assassin or the existence of elements in the Tunisian military with extensive Libyan connections.

Tunis has been improving its relations with Algeria primarily to dissuade potential Libyan aggression.

[REDACTED]

Tunis will proceed on a cautious path toward closer military ties with Algiers, while waving the Algerian flag as a warning against aggressive actions by Tripoli.

In addition to the United States, Tunis looks to France as an important protector against Libyan and Algerian intentions. In our view, Bourguiba's stopover in Paris on his way to Washington is aimed at seeking a generous demonstration of France's commitment to Tunisia. In the event of a Libyan invasion, France, probably in cooperation with Algeria, would employ its armed forces to repulse an overt attack.

The USSR's principal interest in Tunisia is to neutralize its Western orientation and to maintain and expand access to port facilities as part of an overall objective of expanding regional access. Moscow must view the succession to Bourguiba and other domestic problems as opportunities to advance Soviet political and military interests. Although there is no evidence of overt Soviet destabilization efforts,

Moscow would clearly benefit from the damage to Western interests from a radical change in Tunisia. Libyan subversive activities against Tunisia also serve Moscow's longer term interests. In anticipation of Bourguiba's passing from the scene, Moscow has increased contacts with Tunisian officials.

The Succession Issue

Bourguiba's succession has been the key political issue in Tunisia for years. Although Bourguiba—President for Life—established the legal means to ensure his designated successor in 1976, he has never fully endorsed this process.¹ Bourguiba has long hoped that his only son, Habib, Jr., would replace him; however, the latter has not expressed any political ambitions over the years.

Uncertainty about Bourguiba's successor has been fueled by years of backroom politicking and intrigue. Most active has been Bourguiba's wife, Wassila. Depending on her husband's inclination and ability to restrain her, Wassila has wielded varying degrees of influence in national affairs and has desperately wanted to play a role in the succession.

Provided the constitutional process operates, Prime Minister Mohamed Mzali is the strongest—but by no means the only—candidate as Bourguiba's replacement. Regarded as having brought corruption and nepotism to his job, Mzali is not well liked by most Tunisians. Should Mzali fail to retain the office

¹ According to the Constitution, the Prime Minister assumes the Presidency upon Bourguiba's incapacitation or death and holds the position for the duration of the five-year term of the National Assembly—the term of the current assembly ends in November 1985. Thereafter, a national election must be held, and presidential candidates must be approved by a government commission.

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

of Prime Minister, either while Bourguiba is in power or after he dies, possible alternatives in the near term include:

- Mohamed Sayah, Minister of Public Works and Housing; a close friend and protege of Bourguiba, but Wassila's longstanding political opponent; strong authoritarian figure; popular in PSD, especially among Mzali opponents.
- Hedi Baccouche, PSD Director; has had turbulent political career as a result of conflicting loyalties to Bourguiba and egalitarian socialism; has been making a political comeback since 1984.
- Beji Caid Essebsi, Minister of Foreign Affairs and a longtime rival of Mzali, highly regarded in government circles and enjoys the confidence and patronage of Wassila; has had an influential role in formulating Tunisian foreign policy; generally accommodating but has campaigned aggressively for political and social reforms. [redacted]

Outlook

Tunisia's future is likely to be increasingly turbulent, given Bourguiba's inflexibility, the subservience of his officials, and the decline of the country's social and political institutions. At a minimum, the power Bourguiba has long monopolized will have to be shared more broadly by his successor. In the interim, the government will adopt political and economic measures that appear to be responsive to public grievances and avoid actions that might trigger major disturbances. In our view, this will allow pressures for change to continue to build, awaiting only a catalytic event to release pent-up frustrations. [redacted]

Should Bourguiba die this year, we believe Mzali would succeed to the presidency but would face serious challenges to his rule. It is extremely unlikely that any government not dominated by the PSD could evolve through the legal process. Such a regime would most likely emerge from serious domestic unrest or external interference. The longer Bourguiba lives, however, the greater will be the possibility that his demise is the catalyst that sparks widespread unrest. [redacted]

During a period of unrest, Islamic fundamentalists, in cooperation with other opposition groups, would

almost certainly press for a major role in setting up a new government. We believe the populace would rally to this cause. Such a coalition might even attempt to declare an Islamic state [redacted]

25X1

A military-controlled government could emerge under certain conditions:

- Senior military officers might attempt to forge a national unity government if a civilian government had become paralyzed by political infighting and was incapable of addressing pressing social and economic problems.
- Faced with using massive force against their countrymen, the senior military officers might decide to take over the government on an interim basis.
- A coup by other elements of the military is always possible if faced with declining benefits, slower promotions, and disagreement over whether to withdraw from action or support widespread unrest. [redacted]

25X1

From the US perspective, the best succession scenario would be a peaceful transition to a constitutional successor government dedicated to reforming Tunisian society and correcting inequities. A government of national unity that embraces a broad spectrum of Tunisian society would have greater difficulty operating effectively on a long-term basis. Both the constitutional successor and national unity government would probably be inclined toward a more nonaligned posture. A military-controlled government, however, might be the only one capable of ensuring stability. [redacted]

25X1

25X1

25X1

The most deleterious to US interests would be a radical leftist regime, especially one dominated or influenced by Libya. Should such a regime perceive itself weak and threatened by the United States and the West, it might turn to the USSR for assistance. An Islamic government, however, probably would not be prone to seek support from the USSR or radical Arab states and would eventually establish cordial relations with the United States and the West. [redacted]

25X1

25X1

25X1

Secret

**Chronology of Libyan-Sponsored
Assassination Attempts, 1980-85**

1985		1983	
6 April	West Germany. Anti-Qadhafi Libyan student killed in Bonn by Libyan gunman who was arrested. The assassin also wounded two German passers-by, one seriously.	2 September	Italy. Four Libyans claiming to be seamen arrested in Rome while following the US Ambassador's motorcade.
		19 February	Libya. Libyan General People's Congress warns all Libyans in exile to return home or face "the anger of the Libyan people."
2 April	Cyprus. Libyan businessman assassinated in downtown Nicosia by an unidentified gunman. The victim was the director of an offshore holding company and was believed to be an opponent of the Libyan regime.	1982	No attempts known.
1 March	Italy. Libyan jeweler murdered in his shop in Rome. A silencer-equipped pistol was left at the scene by the assassin.	1981	
28 February	Austria. Former Libyan Ambassador to Austria severely wounded by two shots fired from a car outside his home in Vienna. The victim had been a member of the original group of young officers who helped Qadhafi seize power in 1969. He quit his post in disgust at the regime in 1980.	20 October	Sudan. Planned assassination of visiting Chadian President Hissein Habre fails when those sent to conduct the operation surrender.
February	Chad. Complaint lodged with United Nations, alleging Libya tried to assassinate President Hissein Habre in September 1984. Chad provided photographs of the suitcase bomb that was to be used in the attack.	24 February	Italy. Several Libyan gunmen open fire on passengers arriving at Rome airport from Algiers. The head of the major anti-Qadhafi exile group was the target, according to one of the captured assassins.
1984		1980	
17 November	Egypt. President Mubarak announces that four assassins sent to Egypt by Libya to kill former Libyan Prime Minister al-Bakkush had been arrested and forced to send fake pictures to the Libyan Embassy in Malta showing Bakkush apparently dead. The official Libyan press had fallen for the ploy and claimed Bakkush had been executed by suicide squads sent abroad "to liquidate enemies of the revolution."	29 November	United Kingdom. Anti-Qadhafi Libyan student murdered in London by three Libyans who left the country the next day.
21 September	Italy. Libyan exile found gagged and strangled in a hotel in Rome. The victim had been the subject of Libyan deportation requests.	14 November	Morocco. Unconfirmed information indicated that two Libyan diplomats and a businessman arrested in Rabat were part of an assassination team sent to attack Libyan dissidents.
20 August	United Kingdom. One of six Libyans awaiting trial for bomb attacks in London in March 1983 found shot to death in a London apartment. The victim may have been silenced by the Libyan Government.	11 November	United Kingdom. Two children of an anti-Qadhafi Libyan poisoned by eating peanuts containing thallium. British authorities arrested a Libyan for attempted murder of the children's father.
4 July	Greece. Two Libyan students found murdered in their apartment in a crime reminiscent of Libyan killings of anti-Qadhafi students in 1980 and 1981. The two were gagged, beaten, and strangled before being shot twice in the back.	October	United States. Anti-Qadhafi student shot in Fort Collins, Colorado; the victim lost his right eye in the assault. The Libyan-hired assailant, an ex-Green Beret and US citizen, was arrested and jailed. The incident is the only known successful Libyan operation in the United States.
21 June	Greece. Anti-Qadhafi Libyan businessman killed by two men on a motorbike who avoided arrest. Libya's Foreign Minister concluded a visit to Greece the same day.	11 June	Italy. Anti-Qadhafi exile wounded by fellow Libyan in Rome after an argument. Italian police believed the incident was part of Qadhafi's campaign to intimidate his political opponents abroad.
13 June	Greece. A Libyan-born Greek citizen known to have distributed anti-Qadhafi literature at his store was wounded by a Libyan employee of Libyan Arab Airlines.		Italy. Libyan exile killed in Milan train station by an unidentified gunman, a few hours after expiration of a deadline set by Qadhafi for all Libyan exiles to return home.
17 May	Libya. JANA, the official Libyan news agency, announces "the Libyan masses have decided to form suicide commandos to chase traitors and stray dogs wherever they are and liquidate them physically."	21 May	Italy. Libyan exile shot at in Rome. The arrested Libyan gunman said he was sent by Libya "to kill an enemy of the people." Two accomplices escaped.
17 April	United Kingdom. British policewoman killed and 11 anti-Qadhafi demonstrators wounded by gunfire from Libyan People's Bureau in London. After a siege, British authorities found weapons and spent shell casings in the vacated embassy.		Greece. Libyan exile and vocal opponent of the Libyan regime killed in Athens. His throat was cut in his apartment.
February	Libya. Following the annual Libyan General People's Congress, the Libyan Revolutionary Committees announce that all Libyan exiles must return to Libya or face "the death penalty."	20 May	Italy. Libyan businessman found stabbed and strangled to death in a boarding house in Rome.
		10 May	West Germany. Libyan exile gunned down in Bonn. Local officials believed his murder was part of Qadhafi's assassination campaign.
		10 May	Italy. Libyan exile killed in Rome by one of two Libyans with whom he had been chatting in a hotel cafe.
		25 April	United Kingdom. Libyan lawyer shot to death in London by two men who walked into his office and asked for the victim by name.
		19 April	Italy. Well-known Libyan businessman killed. The arrested assassin, a Libyan national, said the victim was an enemy of Colonel Qadhafi.
		11 April	United Kingdom. Two Libyan gunmen kill an anti-Qadhafi Libyan journalist outside a London mosque.

25X1

25X1

Secret

Secret

**The Record of
Libyan-Sponsored Assassination
Attempts, 1980-85**

25X1

Since 1980, the Libyan Government has engaged directly in more than 30 assassination attempts outside its borders (see chronology), and the list continues to grow. Although the Qadhafi regime has been arming and training insurgent and dissident groups as far back as the early 1970s, Libya did not itself engage in terrorism until late 1979, when Qadhafi began his drive to eliminate dissidents. Qadhafi's fear that the increasingly active Libyan exile movement challenges his claim to be the sole representative of the Libyan people has provided the principal motivation.

25X1

Second to Libyan dissidents, Qadhafi's main target for terrorism has been selected moderate leaders in Africa and the Middle East. The objects of his unrelenting hatred are the leaders of Egypt, Sudan, and Chad. PLO chief Yasir Arafat, a former ally, and Jordan's King Hussein are also prime enemies, for Qadhafi perceives them as traitors to the united Arab front against Israel and its patron, the United States. Qadhafi's hostility also extends to Saddam Husayn of Iraq. Libya has yet to implement a direct attack on any of these leaders except President Habre of Chad.

25X1

US diplomats have occasionally been the object of Libyan assassination plans, but again, no attacks have occurred. After the United States shot down two Libyan planes during an exercise in the Gulf of Sidra in 1981, for example, several incipient assassination plots against US diplomats in Western Europe were uncovered. Qadhafi, however, is a pragmatic political calculator who quickly backed down when informed that the United States was aware of his plans. We believe Qadhafi fears US retaliation and consequently has focused his attention on non-US targets that appear to be more vulnerable. This helps to explain, in part, why he has avoided directly targeting the United States or leaders like Jordan's King Hussein.

¹ Analysts differ over whether Qadhafi has changed his attitude toward direct targeting of the United States. Some analysts judge that he will hold back as long as he believes he runs the risk of having his hand detected, and, therefore, having to face the prospect of US retaliation. Other analysts, however, believe the direct Libyan terrorist threat to US targets is growing. They believe Qadhafi has judged that he can survive US retaliation against him following an attack on US personnel or facilities.

25X1

25X1

25X1

25X1

Secret

NESA NESAR 85-013
7 June 1985

Page Denied

Next 8 Page(s) In Document Denied

**Saudi Arabia-Oman-The Yemens:
Pressing for Border Settlements** []

25X1

25X1

Riyadh is stepping up pressures on its southern neighbors to settle outstanding border disputes. We believe these efforts are damaging the kingdom's leadership role in the Gulf Cooperation Council (GCC), setting back regional cooperation, and creating the potential for serious domestic political problems in these states. []

- Lower oil revenues and diminished activity in the Middle East peace process may have encouraged Riyadh to turn inward and concentrate on peninsula issues, where the Saudis still perceive themselves as the major player.

25X1

Saudi Arabia's borders with its southern neighbors are nearly all disputed or blurred, and traditional territorial claims overlap by as much as 200 kilometers. Inhabitants of the region have resisted "drawing lines" since boundaries traditionally have moved as tribal strength and alliances shifted. Such tribal concerns, as well as competition for oil, are the prime obstacles to delineating the boundaries. Nevertheless, the peninsula's rulers have good reasons to avoid clashes over border differences, given the increasing threats to regional security. []

25X1

Saudi Moves and Motivations

[] border issues have moved off the back burner and are now a primary foreign policy concern for Riyadh. Over the past few months the Saudis have:

- Put an economic squeeze on North Yemen by linking the level and timing of aid to progress on border demarcation.
- Had two run-ins with Omani border patrols. The Saudis have insisted on participating in Oman-South Yemen border talks and continued efforts to purchase the loyalty of tribes in the Saudi-South Yemeni and Saudi-Omani border areas. []

Underlying the Saudi urgency to settle outstanding border disputes are several factors:

- Saudi Arabia's leverage over North Yemen will diminish as Sanaa's recent oil discovery begins to yield profits. []

25X1

25X1

These more recent concerns reinforce longstanding Saudi reasons for pushing their neighbors to resolve border disputes. Riyadh would like to remove any basis for irredentist claims, []

25X1

25X1

[] In particular, the Saudis would like the current regime in Sanaa to accept publicly a border agreement made in 1937 by the Imamate, which was overthrown in 1962 by a republican coup. Border settlements also would make it easier for Riyadh to control smuggling and tribal feuding. During different periods of their history, moreover, the Saudis have exerted at least tenuous control over much of the disputed territory, and they probably hope to reimpose their hegemony in these areas. []

25X1

25X1

25X1

The Omani and Yemeni border claims are based on the "Riyadh Line," which was unilaterally proclaimed by the British in 1955. The line reflects British generosity toward its former clients, and Riyadh probably believes that the longer this line goes unchallenged, the greater legal strength it acquires as an internationally recognized border. []

25X1

25X1

Secret

25X1

25X1

Since a border clash between the two countries in early 1984, the Saudis have taken advantage of Sanaa's heavy dependence on Saudi aid to intensify the pressure on North Yemen.

25X1

25X1

according to the US Embassy in Sanaa, they explicitly linked the provision of further aid to talks on outstanding border questions at the Saudi-Yemeni Joint Commission meetings this spring in Jiddah.

25X1

Nonetheless, the policy line coming out of Riyadh is consistent. Separate Saudi officials have emphasized that they are prepared to be generous, especially with North Yemen, and that they are more interested in the fact of border demarcation than the precise location of the boundary.

North Yemen, on the other hand, is satisfied with the status quo. If President Salih were seen to "capitulate" to Riyadh's demands to delineate the border on Saudi terms, he probably would meet the same fate as Prime Minister al-Hajri. The Yemenis argue to the Saudis that negotiations must wait until the establishment of an elected parliament, but this body could still reject a border agreement.

25X1

25X1

25X1

The North Yemen Case

The western portion of the Saudi-North Yemeni border was demarcated in 1936, based on the Treaty of Taif, which was signed in 1934 after Saudi Arabia defeated North Yemen and captured what is now the kingdom's southwest province of Asir. During times of serious tension between the two countries, North Yemen has raised claims to Asir, and it is unclear whether the current regime considers itself bound by the treaty. A treaty provision calls for renewal every 20 lunar years, and it was renewed in 1973 by then Yemeni Prime Minister al-Hajri. This action probably was a major reason behind his subsequent assassination in London.

Saudi Arabia has never accepted North Yemen's version of its eastern border, based on the British-proclaimed Riyadh Line, and part of the oil concession granted to Hunt Oil Company lies in territory claimed by the Saudis. The Saudis view Sanaa as "creating facts" on the ground with its continued development of oil reserves in the disputed region. In this area the Saudis generally claim title to the interior desert while conceding the mountainous areas to the Yemenis.

25X1

Oman and South Yemen

Two incidents have already occurred this year in disputed areas along the Saudi-Omani border. In late February, the Omanis disarmed and evicted a Saudi patrol near their mutual border with South Yemen. This incident prompted an emergency visit to Muscat by Saudi Foreign Minister Sa'ud to defuse the situation. In April, a large Saudi border patrol tore down an Omani marker near the Lekhwair oilfields.

25X1

25X1

25X1

Secret

Secret

the Saudis are squandering valuable leadership capital in the GCC because of "exaggerated" claims to desert regions. [REDACTED]

25X1

25X1

Prospects

In all three cases, in our judgment, the Saudis do not want to press so hard that the tensions produce significant military confrontations. The risk of miscalculation is high, however, and we do not believe that Saudi Arabia's current tactics will produce border agreements. The Yemenis and Omanis have more at stake than the Saudis in the border areas and, therefore, a greater will to uphold their positions, even if it requires military force. [REDACTED]

25X1

Riyadh also appears to have stepped up efforts to gain the loyalty of tribes along the Omani and South Yemeni borders because tribal loyalty has traditionally been the major justification for border claims in the area. According to US officials, Riyadh has induced members of border tribes currently living in Saudi Arabia and the United Arab Emirates to take Saudi citizenship and return to the border areas.

Riyadh is unrealistic if it believes it can keep border tensions separate from regional cooperation on other issues. In the case of Oman, Riyadh will have to weigh the relative importance of resolving border issues and progress in the GCC because the two are contradictory goals. If North Yemen is strongly pressed, it probably will turn to the Soviet Union for support. [REDACTED]

25X1

UAE President Shaykh Zayid visited Saudi Arabia in mid-May to discuss the Omani-Saudi border dispute. A major issue of contention between the Saudis and Omanis is the Buraymi Oasis, where the UAE also has a major claim. The Saudis are still rankled over being evicted from Buraymi by the British and Omanis in 1955. Part of the dispute was tentatively settled between Saudi Arabia and the UAE in 1974—Abu Dhabi gave up a stretch of land between the UAE and Qatar and a rich oilfield south of the Liwa Oasis—but the eastern side of Buraymi is still in dispute between the Saudis and the Omanis. [REDACTED]

25X1

Shaykh Zayid's visit probably was prompted in part by concerns that the disputes would prove harmful to UAE interests in Buraymi. According to the US Embassy in Abu Dhabi, Shaykh Zayid is also worried that the tensions between Saudi Arabia and Oman have led the latter to take contrary positions in the GCC. The Embassy reports that Gulf leaders believe

Secret

Page Denied

Next 3 Page(s) In Document Denied

Secret

The Dubai-Iran Connection: Lucrative and Risky []

25X1

25X1

The emirate of Dubai (Dubayy) conducts a thriving trade with Iran despite the fact that it is part of the United Arab Emirates, which has supported Iraq. In return Tehran spares the UAE from the criticism it heaps on other Arab states that are friendly toward Baghdad. Dubai provides an important economic service to Tehran by reexporting a wide range of goods to Iran, including consumer items that are in great demand in the Islamic republic. Despite these mutual benefits, frictions between the parties continue, and Dubai is concerned that Iran covets some of the emirate's offshore oil. []

The Trading Environment

Dubai—the most independent of the United Arab Emirates—has emerged from a long maritime and gold-smuggling past to become a major trading center.¹ This city-state has used the oil wealth earned since 1969 to enhance its trading position. Under its [] ruler Shaykh Rashid, emirate funds have been used to build modern ports, ship repair facilities, warehouses, airports, hotels, office space, and an advanced telecommunications system. []

reporting indicate, however, that official figures grossly understate trade with Iran. Moreover, US Embassy reporting also indicates that Dubai would welcome an Iranian decision to increase its commercial presence and activities. []

There are about 50,000 Iranians living in Dubai. Furthermore, about 1,000 Iranians arrive in the emirate each day, according to an Embassy official. Dubai merchants import and stock a wide range of consumer goods for these Iranian travelers to purchase and carry back to Iran. This escape valve for war-weary Iranians helps explain why Iran has not aimed its anti-Gulf Cooperation Council rhetoric at the UAE nor made it a target of antiregime, Iranian-sponsored dissidents. []

This superb infrastructure complemented Dubai's laissez faire attitude and led to a rapid expansion of trade by the private sector. Dubai promotes free trade far more aggressively than other Persian Gulf governments, and its sophisticated merchant community is willing to do business with anyone—including Iran. Ideology is dismissed as irrelevant to business, according to the US Embassy. []

A significant portion of Dubai's reexport trade is with Iran. []

[] 3,000 of the emirate's 6,500 dhows—small boats of ancient design with modern motors—ply the Iran trade. Commodities reexported include foodstuffs, livestock, tobacco and cigarettes, fuels, chemicals, cars, transport equipment, industrial machinery, and other manufactured goods. The most recent published figures of Dubai's reexport trade placed it at \$1.4 billion in 1983, of which Iran's share was \$170 million. Both US Embassy and press

Secret

NESA NESAR 85-013
7 June 1985



Dubai Creek—Archaeologists found evidence that this fine natural harbor has been in use since 2000 BC. Dhows now ply Gulf waters with high-powered engines and telecommunications, then dock at the foot of skyscrapers. [redacted]

Impact of Iranian Regulations and Export Promotions

Trade volume has suffered swings linked to Iranian regulations and economic difficulties. In late 1983, for example, Tehran severely curtailed allowable imports by Iranian citizens returning from abroad, according to the press. This measure induced a temporary trade recession in Dubai until the restrictions were relaxed in early 1984. Press reports indicate that protests from the UAE's Iranian community to the Iranian Commerce Ministry helped influence Tehran's reversal. [redacted]

This year, Iran's increasingly tight foreign exchange situation is likely to induce an all-out export promotion effort for nonoil sales and will make the

Dubai connection more valuable to Tehran. Iran's nonoil exports peaked at about \$500 million before the revolution but were only \$200 million last year. According to press reports, Iran is using Dubai in its campaign to maximize nonoil exports. In April, the Islamic republic sponsored its first international trade fair in Dubai, seeking to promote the export of Persian carpets and manufactured goods. According to the press, this promotion was well received. [redacted]

25X1

Threat to the Connection: Will Iran Steal Dubai's Oil?

The beneficial trade relationship between Iran and Dubai recently has been put in jeopardy by Iran's offshore oil activities. In April, Iran began drilling adjacent to Dubai's offshore Fateh oilfield and may be preparing to drill directionally across the border, according to US Embassy reporting. Fateh is located some 100 kilometers off the Dubai coast and is close to Sirri Island—the destination of Iran's oil tanker shuttle service from Khark Island. Last November the Iranians installed an eight-well production platform on its side of the field so oil output and exports could begin immediately after drilling is complete. Previously discovered reserves in the Iranian sector of the field were considered too small to justify development, and Tehran ignored this field for years. Now, however, even a small reservoir situated south of the Iraqi attack zone against tankers may be worth exploiting by a cash-strapped Iran. [redacted]

25X1

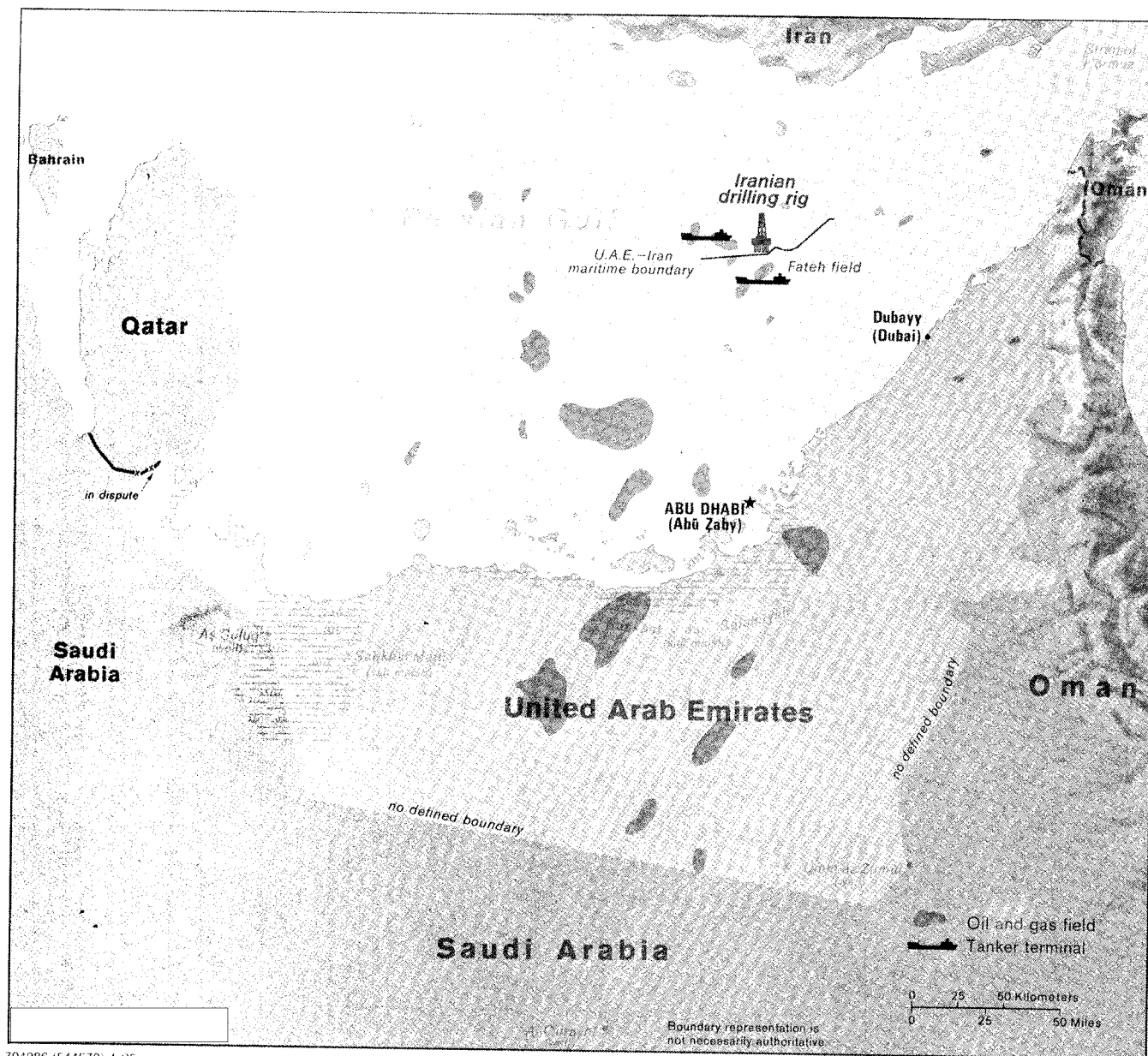
Dubai is concerned over the prospect of several directional wells invading its most prolific oilfield. Dubai's queries to the National Iranian Oil Company about its activities in the area so far have gone unanswered. According to officials of the Dubai Petroleum Company, Fateh produces about 180,000 barrels per day (b/d) from 85 wells. At comparable rates, eight Iranian wells might produce as much as 17,000 b/d, worth \$160 million per year at current prices. [redacted]

25X1

Iran's actions may be designed to set the stage for a request for aid from Dubai, possibly in the form of oil from Fateh field, according to the US Embassy. Such a request would pose a dilemma for Dubai. Any aid provided by Dubai to Iran probably would create further strains within both the UAE and the GCC. At

25X1


25X1

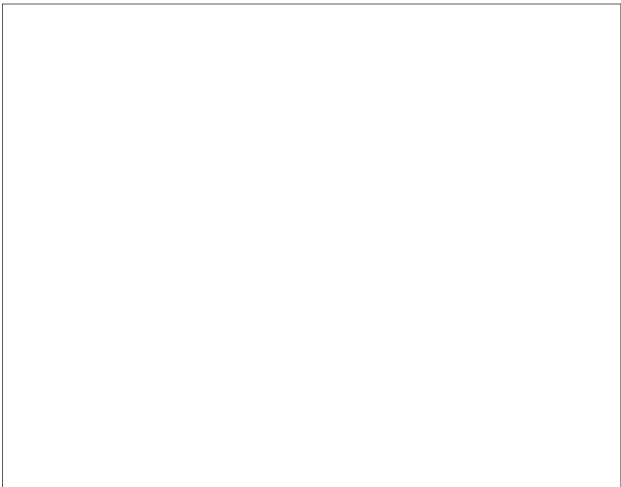
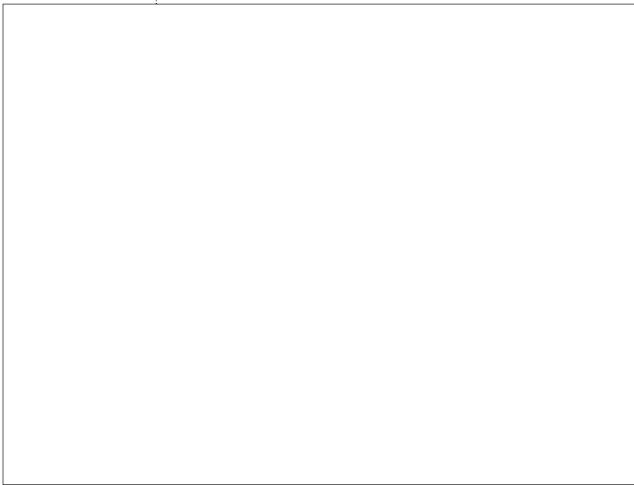


704986 (544579) 4-85

25X1

Secret

the same time, Dubai wants to avoid the sort of confrontations with Iran that could arise if the emirate refused an Iranian aid request or had to deal with an Iranian effort to siphon off oil. 



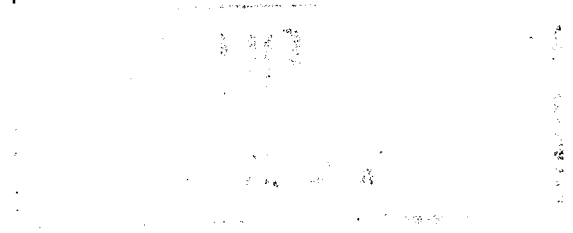
25X1

25X1

25X1

Secret

Secret



Secret